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**1984/05/01**

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E.C. 12356: DECL: CADR

TAGS: CVIF (REAGAN, RONALD)

SUBJECT: VERBATIM TRANSCRIPT OF SECRETARY SHULTZ AND  
- CHINESE FOREIGN MINISTER WU MEETING, 6:30 A.M.,  
- DIAOYUTAI, APRIL 29, 1984

1. (SECRET - ENTIRE TEXT)

2. THIS IS A VERBATIM TRANSCRIPT OF THE MEETING BETWEEN  
U.S. SECRETARY OF STATE SHULTZ AND CHINESE FOREIGN  
MINISTER WU XUFOIAM, HELD IN VILLA NO. 15, DIAOYUTAI,  
AT 9:32 A.M., APRIL 29, 1984.

3. CHINESE PARTICIPANTS:

WU XUFOIAM, STATE COUNCILLOR AND MINISTER OF  
FOREIGN AFFAIRS  
ZHANG WENJIN, CHINESE AMBASSADOR TO THE UNITED  
STATES  
FAN XI, VICE MINISTER OF FOREIGN AFFAIRS  
JIA SHI, VICE MINISTER OF THE MINISTRY OF  
FOREIGN ECONOMIC RELATIONS AND TRADE  
ZHU QIZHEN, ASSISTANT MINISTER OF FOREIGN AFFAIRS  
AI HUAIYUAN, DIRECTOR OF THE INFORMATION DEPART-  
MENT, MINISTRY OF FOREIGN AFFAIRS  
ZHANG WENPU, DEPUTY DIRECTOR OF THE AMERICAN AND  
OCEANIAN DEPARTMENT, MINISTRY OF FOREIGN AFFAIRS  
WANG LI, CHIEF, U.S. AFFAIRS DIVISION, MINISTRY  
OF FOREIGN AFFAIRS  
ZHA FEIXIN, DEPUTY CHIEF, U.S. AFFAIRS DIVISION,  
MINISTRY OF FOREIGN AFFAIRS  
CHINESE INTERPRETER  
FOUR CHINESE NOTETAKERS

4. AMERICAN PARTICIPANTS:

SECRETARY SHULTZ  
AMBASSADOR BUMMEL  
ROBERT MCFARLANE  
LIONEL OLMER  
PAUL WOLFOWITZ  
RICHARD ARMITAGE  
STON SIGUR  
HN FUGGES  
CHARLES FREEMAN  
RAYMOND STICZ  
DCN ANDERSON

CLASS: SECRET  
CHRG-F: PROG 05/01/94  
ATPLV: S/S:JCovey  
DHFTL: FCCN:ADONATE/P  
ARDLAW  
CLEAR: 1:DCM:CWFREEMAN(E)  
2:EAP:PWOLFOWITZ  
DISTR: S/S12 AMB DCM  
CHRON 12

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United States Department of State  
Office of FOI, Privacy, & Classification Review  
Review Authority: Martens, P  
Date 10/12/95  
Case ID 94-3673

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PAT YABBLAW (EMBASSY NOTETAKER)  
ANDRES D. ONATE (EMBASSY NOTETAKER)  
JIM BROWN (INTERPRETER)

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VERBATIM TRANSCRIPT: BEGIN TEXT.

FOREIGN MINISTER WU: I HAVE A SUGGESTION. IN ORDER  
TO FINISH BEFORE 12:15 A.M., I WILL SPEAK FIRST AND  
WILL USE LESS THAN 45 MINUTES TO BRING UP MY QUESTIONS.  
THEN YOU, MR. SECRETARY, CAN SPEAK FOR 45 MINUTES.

SECRETARY SHULTZ: ALL RIGHT. SO YOU WOULD GO RIGHT  
THROUGH, AND WE WILL NOT INTERRUPT?

WU: WHEN YOU SPEAK, WE WILL NOT INTERRUPT.

SHULTZ: I'M SO USED TO BEING INTERRUPTED, I WON'T  
KNOW WHAT TO DO.

WU: IT NEEDN'T BE SO MECHANICAL. IF YOU NEED TO ASK  
A QUESTION, PLEASE ASK IT. IF WE NEED CLARIFICATION,  
WE WILL ASK.

FOREIGN MINISTER WU'S STATEMENT:

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TYANK YOU, MY TIME IS UP.

STATEMENT BY SECRETARY SHULTZ:

YOU LEFT ME WITH ONE-HALF THE TIME, FAIR ENOUGH.

YOUR AGENDA IS NOT MUCH DIFFERENT FROM MINE, SO I  
WILL FOLLOW YOUR POINTS, BUT ADD ONE OR TWO ITEMS IN  
THE BILATERAL RELATIONS.

FIRST, AS FAR AS MR. ARAFAT IS CONCERNED, OF COURSE  
WE OBSERVED THE PEZ RESOLUTION, AND HAVE ATTEMPTED  
TO BUILD ON IT AND CREATE THE CONDITIONS UPON WHICH  
HUSSEIN CAN PARTICIPATE, BUT HE HAS NOT COME FORWARD  
YET.

THE WORD, "SELF-DETERMINATION," HAS BECOME A KIND  
OF CODE WORD. IT IS A PRINCIPLE PEOPLE SUBSCRIBE  
TO, AND WE DO SO WITHIN LIMITS. WE FOUGHT A CIVIL  
WAR IN THE U.S. WHEN A PART OF THE U.S. ATTEMPTED  
SELF-DETERMINATION SO THERE ARE LIMITS. IN THE  
MIDDLE EAST IT HAS COME TO BE A SORT OF CODE WORD  
FOR AN INDEPENDENT PALESTINIAN STATE ON THE WEST  
BANK, AND THIS IS NOT A WORKABLE GOVERNMENT ENTITY.  
IT IS MORE SENSIBLE TO THINK OF THAT AREA AFFILIATED  
WITH JORDAN. SO THIS IS WHAT IT HAS COME TO MEAN.  
MR. ARAFAT KNOWS THAT.

[REDACTED]  
YOU WOULD LIKE TO SEE ARAFAT TURN  
PEACEFUL MEANS RATHER THAN USE VIOLENT METHODS

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YOU CAN TELL HIM THE CONDITIONS UNDER WHICH HE WILL  
HAVE DIRECT DISCUSSIONS WITH HIM. FIRST, HE MUST

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RECOGNIZE THE PIGHT OF ISRAEL. ~~UNCLASSIFIED~~ SECOND,  
HE MUST ACKNOWLEDGE UN RESOLUTION 242 AS A BASIS  
FOR MOVING TOWARDS PEACE IN THE MIDDLE EAST.  
IF HE MAKES SUCH A DECLARATION WE ARE PREPARED FOR  
AN APPROPRIATE EMBASSY -- IN TUNIS -- TO BEGIN DIS-  
CUSSIONS AT A TECHNICAL LEVEL TO ARRANGE A MEETING  
AT A POLITICAL LEVEL. A POLITICAL MEETING COULD  
OCUR, WITH ASSISTANT SECRETARY WOLFGANG OR AMBAS-  
SAUD MURPHY, AND WE CAN HAVE A DIALOGUE.  
MR. ARAFAT HAS A PARIT OF TAKING CREDIT FOR TERRORIST  
ATTACKS IN ISRAEL OR AGAINST ISRAELI DIPLOMATIC  
REPRESENTATIVES AROUND THE WORLD, AND WHEN HE DOES  
THAT -- GIVEN THE BACKGROUND OF THE PLO PLEDGE TO  
OVERTHROW ISRAEL -- IT DOES NOT IMPROVE THE PROSPECTS  
OF A DIALOGUE WITH US.

MAJOR CHANGES ARE TAKING PLACE IN THE MIDDLE EAST  
TODAY. IN LEBANON -- WHERE WE REMAIN ENGAGED AND  
PREPARED TO BE HELPFUL -- ALL FACTIONS SEEK OUT OUR  
AMBASSADOR. OF COURSE, WE HAVE NO INTENTION OF  
HELPING THE BUILD-UP OF SYRIAN-SOVIET FORCES, BUT WE  
CONTINUE TO ENCOURAGE THE INDEPENDENCE AND SOVEREIGNTY  
OF LEBANON.

ONE WAY OR ANOTHER, LEBANON HAS TO FACE THE QUESTION

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OF HOW TO CONTROL SOUTHERN ~~UNCLASSIFIED~~ IT IS NOT USED AS A PLATFORM FOR ATTACKS ON ISRAEL. THIS IS SOMETHING LEBANON MUST DO SOMETHING ABOUT.

IN THE MEANTIME, THE INFLATION CAMPAIGN IN ISRAEL MEANS THAT THERE IS LITTLE OPPORTUNITY FOR NEGOTIATIONS UNTIL IT IS OVER. BUT I SUSPECT THAT THE OUTCOME OF THE CAMPAIGN -- WHICHEVER SIDE WINS -- WILL MEAN A GREATER OPPORTUNITY FOR NEGOTIATIONS.

WE CONTINUE TO WORK WITH OUR FRIENDS IN THE AREA, AND HOPE TO MAKE AN EFFORT TO IMPROVE THE QUALITY OF LIFE FOR THE PALESTINIAN PEOPLE BECAUSE WE BELIEVE THAT THE PALESTINIANS HAVE TAKEN A TERRIBLE BEATING IN THIS AREA, AND THIS REMAINS A CENTRAL SOURCE OF THE PROBLEM IN THE MIDDLE EAST.

NOW THE GREATEST SOURCE OF TENSION IN THE AREA IS THE IRAN-IRAQ WAR. OUR POSTURE IS ONE OF NEUTRALITY. BUT WE BELIEVE THAT IRAN POSES THE GREATEST THREAT, ESPECIALLY TO THIRD PARTIES NOT INVOLVED BUT WHO DEPEND ON THE FLOW OF ENERGY RESOURCES IN THE GULF AREA.

WE URGE YOU, AS WELL AS OTHERS, NOT TO SELL ARMS TO IRAN, AND WE URGE YOU, AS WE OURSELVES HAVE DONE, TO SPEAK OUT AGAINST THE USE OF CHEMICAL WEAPONS IN THAT WAR. WE STRONGLY CONDEMN THE SOVIET UNION'S USE OF CHEMICAL WEAPONS IN AFGHANISTAN AND SOUTHEAST ASIA.

NOTE:

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AS FOR THE QUESTION OF MOVING THE EMBASSY TO JERUSALEM, PRESIDENT REAGAN HAS EXPRESSED HIMSELF FIRMLY ON THIS ISSUE, AND HE WILL CONTINUE TO OPPOSE LEGISLATION IN CONGRESS TO MOVE THE EMBASSY. WE BELIEVE, BEYOND THE CONGRESSIONAL FIGHT, THAT THIS IS NOT A PREDICTIVE OF THE CONGRESS, TO TELL THE PRESIDENT WHERE TO LOCATE THE EMBASSY. THE CONSTITUTION GIVES THE PRESIDENT RESPONSIBILITY FOR THE CONDUCT OF FOREIGN POLICY, AND PRESIDENT REAGAN WILL NOT MOVE THE EMBASSY TO JERUSALEM UNDER PREVAILING CIRCUMSTANCES. WE WOULD LIKE TO SEE A NEGOTIATED ARRANGEMENT FOR JERUSALEM BETWEEN ISRAEL AND THE ARAB STATES, BUT FOR NOW, WE WILL NOT MOVE IT.

ON SOUTH AFRICA, WE AGREE — AND PUBLICLY HAVE SAID SO MANY TIMES — WE ABHOR THE APARTHEID SYSTEM OF SOUTH AFRICA, AND WANT TO SEE IT CHANGED. THE WAY TO BRING THIS ABOUT IS TO ENGAGE OURSELVES WITH SOUTH AFRICA, NOT ONLY ON THIS PROBLEM, BUT TO RELAX THE TENSION AND TURMOIL IN SOUTH AFRICA. SOUTHERN AFRICA IS TO BE LOOKED ON AS A REGION, BECAUSE OF THE DEPENDENCY OF THE REGION'S ECONOMIES ON THE SOUTH AFRICAN ECONOMY.

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WE HAVE WORKED HARD IN THIS WHOLE AREA, AND HAVE  
HELPED QUITE A BIT IN BRINGING ABOUT AN ACCORD BETWEEN  
SOUTH AFRICA AND MOZAMBIQUE, AND THE TRANSITIONAL FIRST  
TEPS HAVE BEEN TAKEN PERTAINING SOUTH AFRICA AND ANGOLA  
THEIR DISENGAGEMENT AGREEMENT WHICH THEY HAVE  
AGreed US TO HELP MONITOR.

AS PRESIDENT REAGAN SAID YESTERDAY: WE WILL CONTINUE  
TO SUPPORT UN RESOLUTION 435 AS IT APPLIES TO NAMIBIA,  
AND WHILE THE ISSUE STANDS ON ITS OWN MERITS, THE  
REALITY IS THAT SOUTH AFRICA WILL NOT GO FOR THAT  
AS LONG AS SOVIET PRESSURE IN ANGOLA THROUGH CUBAN  
TROOPS EXISTS. SO WE DON'T GET WHAT THE UN WANTS,  
BUT WE GET WHAT THE SOVIET UNION WANTS. WE SEE SOME  
PROGRESS IN GETTING THE GOVERNMENT OF ANGOLA TO CON-  
FRONT THE PROBLEM OF CUBA'S WITHDRAWAL, WHICH IS THE  
KEY TO BRINGING ABOUT WHAT WE ALL WANT. THE ISSUE  
TURNS MORE ON UNITA AND JOSEPH SAVIMBI THAN ON SOUTH  
AFRICA AS FAR AS ANGOLA IS CONCERNED. SAVIMBI IS A  
POWERFUL FORCE IN ANGOLA, AND AT SOME POINT THERE  
MUST BE A RECONCILIATION IN ANGOLA IN ORDER FOR STA-  
FILITY TO RETURN TO THAT COUNTRY. WE ARE ENCOURAGED  
BY THE EFFORTS OF OUR DIPLOMATS, AND THESE EFFORTS

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ARE BEARING FRUIT THERE. IF THE LONG RUN; APARTHEID IS NOT AN ACCEPTABLE WAY TO LOOK AT RACIAL PROBLEMS IN ANY COUNTRY.

YOU DID NOT MENTION CENTRAL AMERICA. BUT LET ME MAKE A COUPLE OF POINTS.

FIRST, AN IMPORTANT ELECTION WILL TAKE PLACE IN EL SALVADOR ON MAY 6, AND IT MAY BE AS A RESULT OF THAT THAT A BETTER SITUATION CAN BE CREATED IN THAT COUNTRY. IN THE MEANTIME, WE CONTINUE TO SUPPORT THE CONTADORA NEGOTIATIONS. BUT THE KEY PROBLEM IS NICARAGUA, THE MILITARY BUILD-UP IN NICARAGUA, AND THE EFFORTS OF THE SOVIET UNION AND CUPA TO USE NICARAGUA AS A BASE TO DESTABILIZE OTHER COUNTRIES. THERE IS NO DOUBT WHERE THE COMMAND AND CONTROL CENTER IS IN NICARAGUA. WE KNOW WHERE IT IS, HOW IT OPERATES, AND IT IS THERE.

I SAY TO YOU, YOU SHOULD RECOGNIZE THAT, IN THE END THE U.S. WILL NOT ALLOW THE SOVIET UNION TO USE MILITARY MEANS TO GAIN ADDITIONAL BASES OR POSITIONS OF STRENGTH IN CENTRAL AMERICA OR IN THIS REGION. WE WILL NOT GO ALONG WITH THAT AT ALL.

WE DON'T HAVE TIME FOR EXTENSIVE DISCUSSIONS ON ARMS CONTROL, BUT I DO WANT TO SAY THAT THE U.S. IS ENGAGING THE SOVIET UNION AND OTHERS IN A WIDE ARRAY OF DISCUSSIONS ON ARMS CONTROL. MOST OF OUR DISCUSSIONS ARE MAKING PROGRESS, EXCEPT THE TWO INVOLVING NUCLEAR TALKS.

THE U.S. POSITION IS REASONABLE, AND WE ARE READY FOR GIVE AND TAKE IN OUR DISCUSSIONS. BUT WE WILL NOT ACCEDE TO UNREASONABLE DEMANDS FOR THE SAKE OF REACHING AN AGREEMENT. WE MUST LOOK TO THE INTERESTS OF OUR FRIENDS. IN INF TALKS, OUR POSITION WILL TAKE INTO CONSIDERATION GLOBAL INTERESTS.

WE THINK THAT IT IS VERY WORTHWHILE TO SHARE OUR VIEWS ON ARMS CONTROL WITH YOU, AND ARE PREPARED TO CONTINUE EXPERT DISCUSSIONS WITH YOU. MAYBE A VISIT BY KENNETH ADELMAN, THE DIRECTOR OF THE U.S. ARMS CONTROL AND DISARMAMENT AGENCY, WILL BE A WAY TO CONTINUE THIS DISCUSSION. IF YOU AGREE, THE AMBASSADOR CAN HELP MAKE ARRANGEMENTS FOR THIS VISIT. (NOTE: IN AN EXCHANGE BETWEEN STAFF IT WAS NOTED THAT THE CHINESE SIDE AGREED TO THE VISIT AND WOULD WORK OUT DATES WITH THE EMBASSY.)

MR. MCFARLANE IS HERE WITH US, AND HE IS NOT ONLY THE PRESIDENT'S NATIONAL SECURITY ADVISOR, BUT HE IS ALSO ONE OF THE GENUINE EXPERTS ON ARMS CONTROL IN THE U.S. GOVERNMENT. IF YOU WANT, BUT PLEASE GO AHEAD AND ADD TO MY REMARKS.

MCFARLANE: THE SECRETARY HAS COVERED THE U.S. APPROACH TO ARMS CONTROL VERY WELL CONCEPTUALLY.

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ALL OF US ARE GRATIFIED IN THE INTEREST THAT THE CHINESE HAVE SPOKEN, AND THE MANIFESTATIONS OF THIS INTEREST IS IN CHINA JOINING THE INTERNATIONAL ATOMIC ENERGY AGENCY, AND THROUGH CHINA'S PARTICIPATION IN IEE GENEVA TALKS. THIS REFLECTS WHAT WE BOTH UNDERSTAND, THAT IMPROVING STABILITY IS ESSENTIAL. THIS CONTROL IS IMPORTANT, AND TALKS WITH ADELMAN CAN BE HELPFUL.

SFULTZ: I WANT TO MAKE ONE MORE POINT BEFORE TURNING TO BILATERAL ISSUES. ON KOREA, THE LATE KOREAN FOREIGN MINISTER LEE WAS A FRIEND OF MINE. HE WAS A GOOD MAN, AND I GOT TO KNOW HIM VERY WELL. MY WIFE KNEW HIS WIFE, AND I CALLED ON HIM THE LAST TIME I WAS IN SOUTH KOREA.

[REDACTED] IF IT IS HARD FOR ME, IT IS EVEN HARDER FOR THE SOUTH KOREANS. IT WAS A MASSIVE TRAGEDY. I JUST ADD THIS AS A COMMENT.

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LET ME SAY THIS ABOUT OUR BILATERAL RELATIONS.

FIRST, I AGREE WITH YOU ON THE IMPORTANCE OF THE EXCHANGE OF VISITS AT THE HIGHEST LEVELS, THE PREMIER

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VISITING THE U.S. IN JANUARY IS A PLEASANT EXPERIENCE NOW.  
THOSE VISITS ARE INVALUABLE FOR SETTING THE TONE AND  
ESTABLISHING THE MOMENTUM FOR CUP RELATIONS. AND I  
WILL ASSURE YOU THAT I WILL GIVE MY ATTENTION TO ANY  
THE ISSUES YOU RAISED HERE TODAY. A GOOD RELATIONSHIP  
IS FUNDAMENTALLY A REFLECTION OF THE SUBSTANCE WHAT  
IS GOING ON. ATMOSPHERICS DON'T GET YOU VERY FAR,  
SUBSTANCE DOES.

ON ARMS SALES TO TAIWAN, WE HAVE NOTED YOUR COMMENTS.  
I THINK MY BEST COURSE IS TO SIMPLY SAY TO YOU: WE  
UNFORTUNATELY THESE COMMITMENTS IN THE VARIOUS COMMUNIQUES  
AFTER CAREFUL CONSIDERATION. THE LAST ONE I WORKED  
ON WITH THE PRESIDENT AND WITH MR. MCFARLANE, AND WE  
KNOW WHAT WE WERE GETTING INTO. WE WILL LIVE UP TO  
THOSE COMMITMENTS, JUST AS WE EXPECT YOU TO LIVE UP  
TO YOUR COMMITMENTS.

WE ARE TRYING TO TAKE A CHINESE VIEW OF THIS MATTER.  
IN THE IMMEDIATE PERIOD WE BOTH MUST ACT CONSISTENTLY  
WITH OUR COMMITMENTS IN THE COMMUNIQUES. IN THE LONG-  
RUN GREAT PATIENCE OVER A LONG PERIOD IS ESSENTIAL.  
IN THE END, IT IS ESSENTIAL THAT THE CHINESE THEM-  
SELVES -- WHETHER IN TAIWAN OR THE PRC -- RESOLVE  
THIS ISSUE PEACEFULLY. WE HOPE THIS WILL HAPPEN.  
ON THE TWO INCIDENTS YOU MENTIONED, LET ME SAY THAT  
FIRST, RUDNESS IS NOT EXCUSABLE. THERE IS NO REASON  
FOR OUR CUSTOMS OFFICIALS TO TREAT ANYONE RUDELY.

ON THE OTHER HAND, I WOULD BRING TO YOUR ATTENTION  
THAT THE U.S. IS A VERY OPEN COUNTRY, AND GIVES  
ACCESS TO TRAINEES AND OTHER VISITORS TO OUR FACIL-  
ITIES, ESPECIALLY THOSE INVOLVED WITH HIGH TECHNOLOGY.  
WE ROUTINELY INSPECT, WHETHER IT IS CHINA OR ANY  
OTHER COUNTRY, BAGGAGE AS PEOPLE LEAVE THE COUNTRY.  
THIS IS NOT DIRECTED AGAINST ANY INDIVIDUAL OR COUNTRY,  
BUT IT IS JUST AS YOU ROUTINELY INSPECT BAGGAGE SO  
THAT NO ONE TAKES OUT YOUR VALUABLE ARTIFACTS.

IN SOME CASES, WE HAVE FOUND DOCUMENTS AND OTHER MATE-  
RIALS THAT VIOLATE OUR EXPORT CONTROL LAWS. YOUR  
CASES SOUND VERY ROUTINE, AND IF TRUE, THEY WILL BE  
CHECKED OUT AND THE MATERIALS RETURNED. WHEN DOCU-  
MENTS OF THIS SORT ARE TAKEN OUT OF THE U.S., YOU  
SHOULD HAVE THEM STAMPED OR CERTIFIED IN ADVANCE.  
OUR CUSTOMS, LIKE BUREAUCRACIES ALL OVER, HAVE RULES  
AND REGULATIONS THAT THEY MUST FOLLOW, AND THEY  
DON'T HAVE A GREAT DEAL OF DISCRETION TO EXERCISE.

ON THE QUESTION OF THE OPENING OF THE CONSULATES  
GENERAL, WE TOO ARE ANXIOUS TO OPEN THEM, BUT IT MUST  
BE DONE ON A SYMMETRICAL BASIS, THAT IS, THE OPEN-  
ING OF OUR FACILITIES AND CAPABILITIES HERE FOR US  
MUST BE PARALLEL TO YOURS IN CHICAGO. MANY CONSULAR  
PROBLEMS THAT ARISE ARE NATURAL BECAUSE THERE  
IS MORE MOVEMENT OF PEOPLE IN OUR TWO COUNTRIES NOW.  
THIS PROBLEM DESERVES OUR ATTENTION BECAUSE IF WE  
ALLOW IT TO FESTER, IT WILL CAUSE ILL FEELINGS. WE

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API PREPARED TO DISCUSS THIS ISSUE WITH YOU FURTHER.  
WE COULD HAVE JOAN CLARK, OUR ASSISTANT SECRETARY  
FOR CONSULAR AFFAIRS, COME TO CHINA, OR YOU COULD  
CONSULT WITH THE AMBASSADOR TO SOLVE THESE PROBLEMS.  
BOTH COUNTRIES MUST PUSH HARD TO PUT THE IMPLEMENTING  
DETAILS BEHIND US.

THE AMBASSADOR HAS ASKED TO DELIVER ONE SENTENCE ON  
THE SITUATION WITH OUR CONSULATE IN CHENGDU. MR.  
AMBASSADOR.

AMBASSADOR RUMMEL: WE ARE BEING ASKED BY THE AUTOCRACIES  
IN CHENGDU TO SET A DATE IN BOTH CHENGDU AND  
CHICAGO FOR THE OPENING OF THE CONSULATES. AND THAT  
UNTIL WE SET THAT DATE, THE AUTOCRACIES IN CHENGDU  
HAVE SAID THAT NO FURTHER DISCUSSIONS ARE POSSIBLE.  
THIS IS AN IMPOSSIBLE CONDITION, SINCE WE CANNOT SET  
A DATE UNTIL WE KNOW WHEN FACILITIES IN CHENGDU CAN  
BE CONSTRUCTED.

SECRETARY SCHULTZ: ON EXIMBANK CREDITS, WE APPROACH  
EACH REQUEST ON A CASE-PY-CASE BASIS, AND THERE IS  
NO REASON TO EXPECT ANYTHING BUT READINESS ON OUR  
PART TO CONSIDER YOUR PROPOSALS. EXIMBANK FOLLOWS.

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OECD RATES — WHICH ARE NOT UNCLASSIFIED AS YOU MIGHT THINK — PUT IN A NONDISCRIMINATORY FASHION CHINA WILL GET ALL DUE CONSIDERATION BY EXIMBANK. ON THE U.S. EOLS 52 MILLION IS UP. IT CAN BE DONE BY PRESIDENTIAL WAIVER, AND THERE IS NO PROBLEM WITH THIS IN PRINCIPLE. IF WE CAN GET FOREIGN ASSISTANCE LEGISLATION FINALLY PASSED, THERE SHOULD BE NO PROBLEMS.

ON THE CENTRIFUGE SEPARATOR, THE EXTENT OF CONTROLS WE REQUIRE ON SENSITIVE ASPECTS OF NUCLEAR FUEL CYCLE WOULD BE UNIMAGINABLE BY CHINESE STANDARDS. AMBASSADOR RICHARD KENNEDY MADE THIS CLEAR IN HIS DISCUSSIONS WITH YOU, AND IT IS SPECIFICALLY EXCLUDED BY ARTICLE TWO OF THE NUCLEAR AGREEMENT TO BE INITIALIZED ON MONDAY. AMBASSADOR KENNEDY ARRIVES IN BEIJING THIS AFTERNOON, AND YOU CAN DISCUSS THE MATTER MORE FULLY WITH HIM, ALTHOUGH IT IS VERY UNLIKELY THAT SUCH A SALE CAN BE ARRANGED.

ON THE TRANSFER OF TECHNOLOGY ISSUE, WE CAN AGREE THAT THIS IS A MAJOR AREA OF ACHIEVEMENT. WE HAVE RECEIVED YOUR PAPERS AND WILL STUDY THEM. THIS IS AN AREA WE WANT TO WORK ON, PARTICULARLY CCCOM, WHICH YOU DID NOT MENTION. THIS IS SOMETHING WE WANT TO GO SMOOTHLY.

ON GSP, THERE IS LEGISLATION TO SEEK RENEWAL IN THE CONGRESS. THIS WILL BE DIFFICULT. I THINK IT PIPES AT THE END OF 1985. GATT REQUIREMENT IS NOT DIRECTED AT CHINA, BUT RATHER AT THE DIFFERENCES BETWEEN MARKET AND NON-MARKET ECONOMIES. I WILL ASK MR. OLMER TO WRITE SOMETHING ABOUT THIS ISSUE AS WELL AS THE MARITIME ISSUE YOU MENTIONED BEFORE WE LEAVE CHINA.

FINALLY, I URGE YOU TO WORK WITH US ON THE HUGUANG ECND ISSUE, AND HAVE PATIENCE WITH OUR SYSTEM. OUR PREVIOUS INTERVENTION WORKED, BUT I RECOGNIZE THE PROBLEMS YOU HAVE HAD WITH IT. BUT WE WORKED TOGETHER, AND WE SEEM TO BE ON THE WAY TOWARD RESOLVING IT. I URGE YOU TO STICK WITH THIS PROCESS.

I DON'T WANT TO MISS MY PLANE.

XU: ALTHOUGH I HAVE SOME COMMENTS ON SOME OF YOUR REMARKS, THERE IS NO TIME FOR THEM. HAN XU WILL MAKE SOME OF THESE POINTS ON THE PLANE TO XI'AN OR LATER.

THANK YOU, AND HAVE A GOOD FLIGHT.  
SCHULTZ

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